
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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TO: All County Councils and County Auditors

FROM: Courtney L. Schaafsma, Commissioner

RE: Pilot Program for More Thorough Non-Binding Review of Budgets

DATE: June 5, 2015

Introduction

On May 11, 2013, Governor Mike Pence signed into law Senate Enrolled Act 517 ("SEA 517"). Section 8 introduced a new statute providing for a three-year pilot program to allow county fiscal bodies of designated counties to carry out a more thorough non-binding review of the proposed budgets, property tax rates, and property tax levies of all taxing units in those counties. In 2014, the Department of Local Government Finance ("Department") established a pilot program in which three counties participated. Because at least one of these counties will not be participating in 2015, the Department is accepting applications from counties interested in participating.

Purpose

According to IC 6-1.1-17-3.7, the General Assembly finds that, because of the enactment of property tax credits under IC 6-1.1-20.6, there is an even greater need for taxing units to cooperate in the adoption of their budgets, property tax rates, and property tax levies. The role of the Department in the pilot program is to develop the framework for the continuation of a more thorough non-binding review in all counties without the direct involvement of the Department. The Department received constructive feedback from the counties that participated in the program in 2014 and intends to refine the program to make it more valuable to participating counties.

Becoming a Pilot County

For a county to be eligible for designation as a pilot county participating in the pilot program:

- (1) the county fiscal body must adopt a resolution approving the submission of an application to be designated as a pilot county; and
- (2) the county fiscal body must submit to the Department before July 2, 2015:
 - (A) an application *using the attached form*; and
 - (B) a copy of the resolution.

After reviewing the applications, the Department may designate not more than three counties that submit an application as pilot counties. In determining which counties are designated as pilot counties, the Department must attempt to achieve diversity among designated counties based on:

- (1) the geographical location of the counties;
- (2) the population of the counties; and
- (3) whether the counties are primarily rural or urban.

The Department must notify each taxing unit in a pilot county of:

- (1) the designation of the county as a pilot county; and
- (2) the duties of the taxing unit.

The Department will provide this notification on or before July 20, 2015.

PLEASE NOTE: The Department emphasizes that the deadline for certifying net assessed values is August 3, 2015 (normally the deadline is August 1, but August 1, 2015 falls on a Saturday). The Department may be unable to provide the most accurate review possible for those pilot counties that fail to timely certify their net assessed values. The Department encourages those counties unsure about their ability to meet the deadline to consider this before applying.

Budget Review and Adoption Procedures; Department Analysis

The following apply in 2015 and thereafter:

Each taxing unit in a pilot county must, before September 2 of each year, file with the Department (*via e-mail to PilotProgram@dlgf.in.gov*) and with the county fiscal body:

- (A) the taxing unit's proposed budgets, property tax rates, and property tax levies for the following calendar year (the levies should be the proposed *actual* levies, not the proposed levies used for advertising purposes);
- (B) a statement of whether:
 - i. a petition and remonstrance process has been initiated under IC 6-1.1-20 concerning a controlled project of the taxing unit;
 - ii. a public question under IC 6-1.1-20 concerning a controlled project of the taxing unit has been certified and will be on the election ballot;
 - iii. a referendum tax levy question under IC 20-46-1 has been certified and will be on the election ballot; or
 - iv. the taxing unit anticipates that it will during the following 18 months either adopt a resolution or ordinance under IC 6-1.1-20 making a preliminary determination to issue bonds or enter into a lease concerning a controlled project of the taxing unit, or adopt a resolution under IC 20-46-1 to place a referendum tax levy question on the election ballot; and
- (C) any additional information required by the Department to prepare an analysis of the proposed budgets, property tax rates, and property tax levies submitted by taxing units in each pilot county (see the attached checklist).

(A school corporation providing information to the Department must provide the information through Gateway. Specifically, the Department will collect the proposed budget, levy, and rate

information using the county council review form on Gateway to satisfy this requirement. All other documents can be e-mailed to PilotProgram@dlgf.in.gov.)

The Department may follow up with a taxing unit to request additional information, if necessary. A taxing unit in a pilot county that would otherwise be required to submit its proposed budgets, property tax rates, and property tax levies for non-binding review under IC 6-1.1-17-3.5 is not required to do so, but the taxing unit must instead submit the information required by (A) through (C) above to the Department and county fiscal body.

A taxing unit that is located in a pilot county and that is subject to binding review and approval of the taxing unit's budgets, property tax rates, and property tax levies under IC 6-1.1-17-20 or IC 36-3-6-9:

- (A) remains subject to binding review and approval under those statutes and must submit the information required under those statutes to the appropriate fiscal body; and
- (B) must also submit the information required by (A) through (C) above to the Department.

The Department must prepare an analysis of the proposed budgets, property tax rates, and property tax levies submitted by taxing units in each pilot county. The Department may establish appropriate procedures and conduct the appropriate analysis that meets the Department's requirements for the review of a unit's budget. The analysis prepared by the Department must include at least the following:

- (A) The estimated total property tax rate for each taxing district in the pilot county.
- (B) The estimated total amount of property taxes to be levied in the pilot county.
- (C) The estimated consequences of the property tax credits under IC 6-1.1-20.6 on:
 - i. the property tax rates of each taxing unit and taxing district in the pilot county;
 - ii. the expected total tax rate of each taxing district in the county; and
 - iii. the property taxes that will be collected by each taxing unit in the pilot county.

The Department must, before October 2 of each year, provide this analysis to the county fiscal body of the pilot county and to the fiscal body of each taxing unit in the pilot county. Upon request by the county fiscal body, representatives of the Department must appear before the county fiscal body to review the analysis.

The county fiscal body of a pilot county must, on or before October 15 of each year:

- (A) review the proposed budgets, property tax rates, and property tax levies of each taxing unit in the pilot county;
- (B) review the expected total tax rate of each taxing district in the county; and
- (C) issue a non-binding recommendation to each taxing unit in the pilot county regarding the taxing unit's proposed budgets, property tax rates, and property tax levies.

These review and recommendation requirements may be carried out by the full county fiscal body or by a committee appointed by the county fiscal body for that purpose.

A recommendation by a county fiscal body must include a comparison of any increase in a taxing unit's budgets, property tax rates, and property tax levies to:

- (A) the average increase in Indiana nonfarm personal income for the preceding six calendar years and the average increase in nonfarm personal income for the county for the preceding six calendar years; and
- (B) increases in the budgets, property tax rates, and property tax levies of other taxing units in the county.

After review, a taxing unit must adopt its budget, property tax rates, and property tax levies by the date required under IC 6-1.1-17-5.

PLEASE NOTE: Taxing units cannot adopt their budgets, rates, and levies until the county fiscal body has issued its non-binding recommendations. Again, the deadline for the county fiscal body to issue its recommendations is October 15 and the deadline for taxing units to adopt their budgets, rates, and levies is still November 2, 2015 (normally the deadline is November 1, but November 1, 2015 falls on a Sunday).

Discontinuation of Designation as Pilot County

The county fiscal body of a pilot county may, before July 1 of a year, adopt a resolution discontinuing the county's participation in the pilot program. If a county fiscal body adopts such a resolution:

- (1) the county fiscal body must certify a copy of the resolution to the Department;
- (2) the county's participation in the pilot program is terminated; and
- (3) the Department must attempt to replace the pilot county with another county that has applied to be designated as a pilot county.

Department's Reporting Obligations

The Department must, before November 1, 2015 and each year thereafter, report to the commission on state tax and financing policy concerning the pilot program and whether the non-binding review under the pilot program is fostering cooperation among taxing units in the adoption of their budgets, property tax rates, and property tax levies.

****IMPORTANT NOTES****

- 1) The taxing units and county fiscal body of each pilot county must satisfy the requirements listed above in addition to the advertising provisions under IC 6-1.1-17-3. Taxing units in pilot counties already subject to non-binding review must comply with the requirements above instead of those prescribed by IC 6-1.1-17-3.5. Pilot county taxing units subject to binding adoption must still perform the obligations under IC 6-1.1-17-20 (or IC 36-3-6-9, as applicable). In other words, units subject to binding adoption must satisfy both IC 6-1.1-17-3.7 (pilot program review) and IC 6-1.1-17-20 (or IC 36-3-6-9, as applicable) (binding adoption processes). Although county fiscal bodies normally do not submit their budget information for non-binding review, the fiscal body of each pilot county must submit the county's budget information to the Department as explained above. Cross-county units falling partly within a pilot county should be aware that they are subject to the pilot program requirements in IC 6-1.1-17-3.7.

- 2) When formulating the taxing unit's estimated budget, property tax rate, and property tax levy under IC 6-1.1-17-3, the proper officers of the taxing unit must consider the estimated consequences of the property tax credits under IC 6-1.1-20.6 on the property taxes that will be collected by the taxing unit and the calculation of fund balances. In other words, while taxing units cannot inflate their levies to offset circuit breaker losses, they should be aware that the circuit breaker credits will reduce the amount of revenue available to them.
- 3) In order to provide the best possible analysis, the Department requests that units submit budget, levy, and tax rate information that closely reflects what they believe will be their actual certified budget order. Inflation of property tax levy or rate data may result in inaccurate analysis and reduce the usefulness of the pilot program.

Summary of Timeline

July 1, 2015: Last day for county fiscal body to submit application and resolution to Department.

July 20, 2015: Last day for Department to notify each taxing unit in a county Department enrolls in pilot program.

August 3, 2015: Last day for counties to certify net assessed values.

September 1, 2015: Last day for taxing units to submit budget information to county fiscal body and Department.

October 1, 2015: Last day for Department to provide analysis to pilot counties.

October 15, 2015: Last day for pilot county fiscal body to issue non-binding review and recommendations.

November 2, 2015: Last day for all taxing units to adopt their budgets, rates, and levies for 2015.

June 30, 2016: Last day for county fiscal body to adopt and certify withdrawal resolution to Department.

Contact Information

Questions may be directed to General Counsel Mike Duffy at 317-233-9219 or mduffy@dlgf.in.gov.